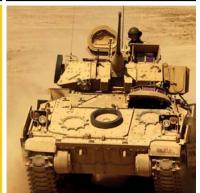
U.S. Army A-123 Update

Briefing for: 2nd Quarter FY 2006 CFO Strategic Plan In-Process Review April 27, 2006







Agenda

- Background
- Internal Controls Over Financial Reporting
- FY 2006 Approach
- OUSD(C) Required Deliverables
- Impacts to Management Control Administrators (MCA)



Background

- Revision to OMB Circular A-123 effective beginning in FY 2006
- Appendix A requires a Statement of Assurance Over Financial Reporting
- OUSD(C) guidance released on November 8, 2005. Focus areas:
 - Appropriations Received
 - Fund Balance with Treasury
 - Investments
 - Real Property
 - Military Equipment
 - Environmental Liabilities
 - Federal Employees Compensation Act (FECA)



Internal Controls Over Financial Reporting

- Army must evaluate the internal controls over financial reporting (ICOFR) for each focus area
- Objectives of internal control
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations



Effective internal control over financial reporting provides reasonable assurance that misstatements, losses, or noncompliance with applicable laws and regulations, material in relation to financial reports, would be prevented or detected

Internal Controls Over Financial Reporting

- Controls must provide reasonable assurance that the financial reporting process is reliable
- Management assertions:
 - Existence or occurrence
 - Completeness
 - Rights and obligations
 - Valuation or allocation (accuracy)
 - Presentation and Disclosure



FY 2006 Approach

- Heavily reliant on DFAS-Indianapolis and DFAS field sites, including Rock Island, Rome, St. Louis, Orlando, Lawton, Rock Island
- Assistant Chief of Staff Installation Management (ACSIM) supporting real property and environmental liabilities



OUSD(C) Required Deliverables

Deliverable	Due Date
Process narratives, flow charts, and organizational charts for focus areas	Complete.
	Due December 20, 2005
Risk analysis for focus areas	Complete.
	Due February 1, 2006
List of internal controls and test plan methodology for focus areas	Complete.
	Due March 20, 2006
Test plans	May 1, 2006
Internal control review report and control analysis	June 30, 2006
Corrective action plans	June 30, 2006
Statement of Assurance on Internal Controls over Financial Reporting	September 1, 2006



Impacts to Management Control Administrators (MCA)

- For FY 2006 reporting, installation and major command level reporting will not likely be impacted much since the focus is on limited areas; deliverables are at a high level. There might be a requirement for:
 - Additional verbiage in annual statement of assurance
 - Additional area of review for AAA
- For future years, will likely see a return to more detailed control checklists with risk analyses



Will likely lead to a need to revise management control plans (MCP)